CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of December 9th, 1981

Attendance: Mr. Pierre MacDonald, Chairman, Mr. S. Huza, Prof. G. Martin Prof. C. Potter, Mr. B. Smart, Mr. Colin Waters, Mr. R. Doutre, Miss D. Johnson, Mr. J.L. Bourbeau and Mr. M. Hamilton of William M. Mercer Ltd.

In Absentia: Mr. D.W. McNaughton, Dr. J.W. O'Brien and Mr. H. Ripstein

Minutes of the Meeting of April 21, 1981:

The minutes of the meeting of April 21, 1981 were unanimously accepted.

Mr. B. Smart requested that an item be added to the agenda under "Other Business" namely an update regarding the preparation of employee statements.

Continuation of 1980 Ex-Gratia Pension Adjustments:

The Chairman requested information concerning quorum before calling a vote, however, since the Plan Document did not cover the topic the Chairman requested that the quorum of this Committee be verified to ensure that the vote was taken with quorum present.

Mr. Bourbeau explained that the 1980 Ex-Gratia Pension adjustments were approved for 12 months only because approval of adjustments for the life of participants would represent the creation of a separate pension plan which would have to be funded.

The Chairman proposed that the Committee approve the 1980 Ex-Gratia Adjustments for a further 12 (twelve) month period ending May 31, 1982. The proposal was unanimously approved.

Review of Options to Improve Retirement Pensions:

It was proposed that discussion of this topic be delayed until Prof. Potter was present.

...../2

Reciprocal Transfer Agreement with C.A.R.R.

Mr. J.L. Bourbeau of Mercers reviewed the highlights of the revised Reciprocal Transfer Agreement which has been prepared by a joint committee of representatives from all the Quebec Universities. The summary document is included as Appendix A in these minutes.

Mr. Smart indicated that he was opposed to the agreement because it would restrict portability to a small minority of the members of the Pension Plan. Prof. Potter noted that he perceived this agreement as a means of plugging an injustice in the Pension Plan.

It was noted that various approaches have been used in pension plans to address the question of portability. Bishops, for example, provides a cash refund of 2 times employee contributions with interest when an employee transfers to an employer that does not accept past service pension transfers.

The Chairman asked Committee members if they would like to make further comment or ask further questions before voting on the transfer agreement.

Mr. Smart noted that he was opposed to this agreement due to the fact that the interest rate paid on refunds of contributions remained well below current bank rates. Prof. Potter noted that the Committee had approved in principle to enter into this agreement last year and the current vote should be based upon acceptance of the content of the agreement.

The Chairman noted that current objections must be considered and called for a vote to approve acceptance of the agreement with C.A.R.R. The vote was 2 for, 2 against with 1 abstention. The Chairman recommended that the item be tabled for further consideration at the next meeting following a review of the interest rate payable on refunds.

1980 Audit Report:

Prof. Potter asked the Chairman if he intended to meet with the auditors, the investment counsellors and the actuaries. The Chairman indicated that he intended to do so.

Prof. Martin noted that the audit of the Pension Plan was carried out in conjunction with the University audit and he had received the usual letter of recommendations from the auditors.

Mr. Bourbeau summarized the audit report and the Chairman requested acceptance of the audit report, acceptance was unanimous.

Regular Meeting Date:

The Chairman recommended that meetings be scheduled on the second Wednesday of every second month commencing in January 1982; with meetings to commence promptly at 10:30 a.m. Within 10 minutes of commencement, if there is no quorum the meeting will be cancelled, if there is quorum the meeting will proceed and end at 12:30 p.m. The recommendation was unanimously accepted.

NOTE: THE 1982 SCHEDULE OF MEETING DATES IS ATTACHED (APPENDIX B)

Employee Benefits Statements:

The Secretary advised Committee members that the 1980 statements had not been produced due to the fact that historical data from the former Loyola Pension Plan had been modified due to an interest rate change; also the former Y.M.C.A. Retirement Fund historical data had been changed for the same reason. The correct historical information was not received from the two carriers until September 1981. Production of the statements was further complicated by the the introduction of a new Payroll System in September 1980. The data required must be accessed from two systems and this entails additional programming time. It was noted that the 1981 statements will be produced as soon as possible in 1982.

Mr. Smart indicated that he had received complaints from participants and requested a more definite production date for the next meeting.

Review of Interest Rates:

Mr. Malcolm Hamilton reviewed the recommendations, included in the Ontario Select Committee on Pensions Report, which have had significant impact upon pension administration in Canada.

These recommendations included -
- Vesting after 5 years of membership (4)
- 3 year vesting as soon as possible (5)
- Refunds of contributions plus interest at 1% below the Chartered Bank rate (6)
- 50% of Employee's locked-in benefit transferable to an R.R.S.P. (8)
- Locking-in as soon as benefits vested with no cash out of commuted value (9)
- Automatic Joint & Last Survivor benefit at 60% (12)
- legislation regarding the excess interest approach (17)

The topic of interest credited on employee contributions was also reviewed.

The summary documents are included with these minutes as Appendix C and C-1.

Impact of Inflation on Pensions:

Mr. Hamilton reviewed the working document entitled "Pensions & Inflation". (Appendix D). He explained that liabilities in the pension plan are established using a pre-determined interest rate (eg 6%), however, assets earn at rates which vary with investment returns. To the extent that assets earn greater amounts than the actuarial predictions, the cost of improvements can be covered by these "excess" returns.

Prof. Martin asked how the effect of increasing salaries would be accounted for using the "excess interest" approach to improve pensions. Mr. Hamilton noted that assets for the "Retired" participants could be segregated and "excess interest" on these assets only be used to fund pension increases.

When asked what effect this would have on the active group Mr. Hamilton noted that it was not a question of cost but a question of who was responsible for bearing the risk, the employer or the pensioner. Using the "excess interest" approach indexation is dependent upon fund performance, if the fund performs well the pensioners get a reasonable proportion of the return, if the fund performs badly the employer bears the risk of the prestated liability.

Mr. Smart asked what is done to counteract the effect of fluctuations in rate of return. Mr. Hamilton responded that a formula is established which is based upon a 3 year average Bond rate or other clearly defined average growth rate. This has the effect of flattening the rate of return.

The Chairman recommended that we discuss the topic again at the January meeting and that some concrete suggestions be presented with respect to interest rates payable on refunds of contributions.

Prof. Potter asked about the annuity plan of the former Loyola members. Prof. Martin explained that these benefits had been locked-into an annuity contract prior to merger and although Concordia had requested that the government consider improvements in the past service benefits all requests for pre-merger funding had been turned down.

The Chairman adjourned the meeting at 2:00 p.m. noting that the January meeting would be an extended one including investment review and comparative measurement review over the luncheon period.

Respectfully Submitted

D. Johnson, Secretary